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Buckner, Simon Bolivar

The currency

[Bowling Green, Ky.]

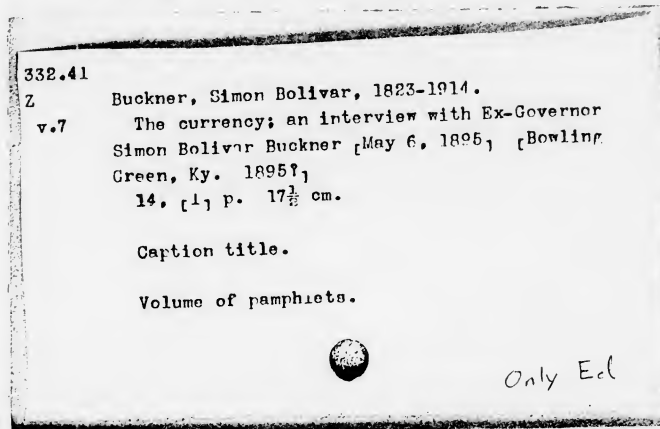
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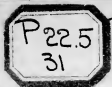
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# THE CURRENCY.

AN INTERVIEW WITH EX-GOVERNOR SIMON  
BOLIVAR BUCKNER.

The following interview with ex-Governor Simon Bolivar Buckner was published in the *Courier-Journal* of May 6, 1895:

"The *Courier-Journal* desires to learn your views on the political issues now agitating the country," was the brief statement by which the *Courier-Journal* representative presented his draft on the ex-Governor. It was immediately honored.

"A general reply to your question," said General Buckner, "would be to refer you to the ancient shibboleth of the Democratic party, to which, with rare exceptions, as in the greenback agitation, it has uniformly adhered: Local self-government, sound money and free trade—the latter subject only to the necessary wants of the government to collect revenue to defray its legitimate expenses.

"The last enunciation of the principles of the party in the Chicago platform of 1892 is but an elaboration of the policy thus briefly summarized. It advocates the individuality and the self-reliance of the citizen, makes him a factor in his government, and not its dependent; denounces legislation which would give bounties to one class and protection to another at the

expense of all other citizens; advocates the use of both gold and silver as money in which one dollar shall be worth as much as any other dollar, and insists that paper money shall be maintained at an equal value with coin. This policy, advocated by the Democratic party, was overwhelmingly indorsed by the people at the polls. Every Democrat thus planted himself on this platform, and I see no reason why any should abandon it to-day.

"The financial question treated in that platform is now the absorbing issue before the people, made so by the insistence of a large portion of the Democratic party, of the Populists and many Republicans upon the immediate free coinage of silver in unlimited quantities, as full legal tender money, at a ratio of 16 to 1 of gold. This position sharply antagonizes the enunciations of the Democratic platform on the question, is largely experimental, as one of its most prominent advocates declares, and therefore should not be accepted by the people without a careful consideration of the consequences which would result from an experiment which might prove costly and disastrous to the country."

"What are your views on bimetallism?"

"The use of both gold and silver is essential to conduct commerce and trade; gold, containing a much greater value in a smaller bulk, is more fitted by its portability for larger payments, and silver for the smaller transactions of trade, the smallest transactions in the retail trade being supplied by the use of the copper coin.

"As more than nine-tenths of the commerce of the world is conducted on a system of credits it is desirable that this system should be placed on a broad and firm basis. That basis is coined money, for every holder of a note or other evidence of indebtedness expects eventually its redemption in such money or its equivalent. It is evident that the greater the amount of this money of ultimate redemption, as it is called, the more confidence will be inspired in the value of

the credit on which it is based. It should be the policy, therefore, of the governments to legislate on this subject in such manner as will maintain in circulation the largest amounts of both gold and silver of interchangeable value. But as silver has lost its full legal tender value in every great commercial nation of the world the question of its rehabilitation is a serious one. The Democratic party proposes, in its platform, to attempt the accomplishment of this result by international agreement—by the concerted action of all commercial nations. A large number, differing from this view, propose its accomplishment by the action of our government alone, in the free and unlimited coinage of silver, at full legal tender value, at a ratio of 16 to 1 with gold, the ratio of actual values being about 32 to 1. There are many objections to this proposed innovation on the policy enunciated in the Democratic platform.

"We have already tried this experiment on a limited scale and at a heavy cost to the people. Under the Bland and Sherman acts the government, as appears from the report of the director of the mint, has purchased, since 1878, 459,046,701 ounces of silver at a cost of \$464,210,262.96. These purchases were made for the avowed purpose of raising the price of silver to its official ratio with gold. A law was also enacted virtually pledging the government to maintain the silver dollar at the full value of the standard gold dollar, which can only be done by redeeming it in gold. Notwithstanding this the price of silver, instead of increasing, continued to fall until to day the silver which was bought at a cost of \$464,210,262.96 is worth only \$304,438,223.10, entailing a loss to the people of \$159,472,039.86. This purchase involved a bounty to the silver mine owner on each dollar equal to the difference between the market value of the silver and the actual value of the standard gold dollar, the depreciated silver dollar being redeemable in gold. The aggregate of this bounty could not have been less than \$100,000,000.

"The loss resulting from this purchase might seem sufficient, but it was but the beginning of our disasters. The government had placed itself in the position of one who had indorsed, and who proposed indefinitely to indorse, the notes of a friend whose financial standing was impaired; his own ultimate solvency was questioned, and the holders of his obligations were anxious to get rid of them at any price. So our government, having indorsed a metal constantly falling in value and having obligated itself to maintain its parity at any cost, excited distrust both at home and abroad. It was predicted years ago by eminent writers, both at home and abroad, that disastrous consequences would result from the assumption of such an obligation. The policy was denounced in the Democratic platform as 'fraught with possibilities of dangers in the future.' People began to doubt the ability of the government to redeem its promises. Beginning as far back as 1890 our securities were thrown upon the market. The distrust grew with the continued fall in the price of silver increasing the responsibilities of the government to maintain its nominal value. All American securities were doubted. People distrusted one another. A general panic pervaded the country. The silver certificates and greenbacks were brought to the treasury for redemption. There was a general run on the banks. To strengthen themselves they drew more gold from the treasury. To replenish its losses the treasury was compelled to borrow \$160,000,000 within one year.

"The exciting cause of this fearful panic was the attempt of the government to make fifty cents' worth of silver worth a dollar in gold. Attended as it was by threats of the advocates of free silver to pay the obligations of the government in this depreciated currency, the panic continued beyond the repeal of the Sherman law until the firm attitude of the executive department convinced the world that our government would sustain its credit by keeping faith with the holders of its securities.

"By this attempt of the government to increase the

price of silver it has lost immensely in revenues, owing to the stagnation in commerce. It has lost by the depreciation of the purchased silver, involving a bounty to the silver miner of more than \$159,000,000. And to maintain this run upon the treasury occasioned by this policy it has been compelled to incur a debt of \$160,000,000, the interest on which will amount to about \$130,000,000 more, amounting in the aggregate to about \$449,000,000—without counting the large reduction in revenues. The additional losses inflicted upon the people individually in consequence of this financial essay is incalculable. Manufacturing establishments were closed, trade was suspended, hundreds of thousands of people were thrown out of employment, labor riots were prevalent, Coxeyite armies were marching through the land feeding upon the substance of the people, and general discontent pervaded the public mind.

"If this 'retail' attempt to uphold the price of silver has proved so disastrous, I fear that the wholesale experiment, which it is now proposed to try, will prove fatal to the country. As I have seen no suggestion on the part of the advocates of this experiment to change the existing laws requiring the redemption of the silver coin to give it the requisite value, I assume that they desire redemption in the future as in the past. If this be so, that act of free and unlimited coinage would be equivalent to the government saying to the silver miners in all countries and to the holders of silver everywhere, 'You can produce annually an amount of silver, which, if sold in the markets of the world, would bring only about \$200,000,000, yielding you a profit of probably not more than \$50,000,000. You are poor but honest and worthy, and your virtue deserves reward. We are rich and powerful, having become so by a fruitful commerce with all the nations of the world. We can, therefore, afford to adopt a policy which will isolate us from other nations, cut off all sources of wealth derived from commerce and expend our accumulations in charity. Bring, therefore, your

silver to our mints. We will have it melted down and coined at the cost of our people, and for your \$200,000,000 worth of silver we will give you \$400,000,000 in silver dollars of legal tender value, your annual bounty of \$200,000,000 being assured by redeeming your dollars in gold which is current throughout the world. To accomplish this we will be compelled to sell bonds with which to obtain the gold necessary to carry out this charity. But we have already learned from the great party which originated this policy that a national debt is a national blessing, encouraging industry and thrift among the people in order to earn the means of paying the interest on the great national debt, of which we will be so proud. And, as "the Lord loveth a cheerful giver," they will not repine, but toil gladly day and night to sustain us in the perpetuation of this magnificent charity.

"It would tax the imagination of a Dante to depict the disasters which would result from the adoption of a policy so suicidal. The disastrous experiment we have already made demonstrates conclusively, I believe, the utter inability of our country to sustain, alone, the price of silver, and shows the wisdom of the Democratic party in relegating the question to the commercial nations of the world who are equally interested with us in the solution of this difficult problem."

"But might not these disasters be avoided by a repeal of the redemption act and by placing silver on its own merits with free coinage at 16 to 1?" suggested the *Courier-Journal* representative, by way of calling attention to the argument of the free-coinage advocates.

"This question involves a consideration of the difference between sound money and fiat money," replied the Governor. "Though not the only form of good currency the precious metals, gold and silver, are themselves sound money, because they have an absolute exchangeable value irrespective of their form or of any inscription upon them. Their value, as Adam Smith shows, is based upon the labor cost of producing them. They possess qualities so desirable that

they can always be exchanged for anything the holder wishes to buy. Their value depends upon their weight and fineness. The earliest record of their use is in Genesis, where it is recorded of Abraham that he returned from Egypt 'very rich in cattle, in silver and in gold,' and where we also find that in paying for the burial place of his wife 'he weighed to Ephron the silver which he had named in the audience of the sons of Heth, four hundred shekels of silver current money with the merchant.' The middlemen of that day used these metals and they circulated among the people long before governments intermeddled with them. When they did so it was but to recognize the already established value of the metal, by cutting it into pieces of convenient size and by placing upon the coins a stamp certifying, in effect, that its weight and fineness corresponded with that which had already been accepted by the merchant and by the people. Copernicus, in his treatise, states this fact in saying that the stamp is only a certificate that the coins contain the proper quantity of gold and silver. The learned Oresme, more than five hundred years ago, after showing to his prince that no authority resided in the state to stamp on the coin a value greater than its just weight called for, said that to do so 'falsifies the stamp, which thus becomes a liar and commits perjury and bears false testimony.' He even denounced against those who committed such an act the maledictions uttered by Isaiah against those who make unjust laws; which, I doubt not, were grievous, and should induce those who are meditating such a proposal to pause at least long enough to ascertain the penalties which may overtake them for the perpetration of such an iniquity.

"But, notwithstanding this, we are seriously confronted with the Populistic theory that the value of a coin depends not upon its weight and fineness, but entirely upon the potency of the government stamp. Like most other Populistic theories this is not new. It was probably received by them as a legacy from the famous Kentishman, Jack Cade, who was an eminent

Populist during the reign of the sixth Henry. Like those of the present day, he believed firmly in the potentiality of government to regulate all values, either by written statute or by word of mouth, greatly preferring the latter method, however, as he does not seem to have been anything of a scribe, being able only 'to make his mark like an honest man.' 'Burn all the records of the realm,' he exclaimed, as he entered London at the head of his rebel force; 'my mouth shall be the Parliament of England. . . . There shall be, in England, seven half-penny loaves sold for a penny; the three-hooped pot shall have ten hoops, and I will make it a felony to drink small beer.' Unfortunately the reign of this eminent Populist was cut short, the inexorable law of supply and demand resumed its tyrannical sway and regulated not only the price of bread and small beer, but even the number of bands on the three-hooped pot. But his example has not been lost. His theories have been honestly embraced by many modern statesmen, who will doubtless be willing to clasp hands with an honest Republican acquaintance of mine who, just after the November election, threatened that as soon as the Republicans came into power they proposed 'to repeal that odious Democratic law of supply and demand so that prices would go up!' Indeed, this tyrannical law controls entirely the price of gold and silver as well as of small beer and all other commodities, causing fluctuations proportionate to the supply and demand. Its effectual repeal is, therefore, a necessary preliminary step toward the establishment of the free coinage system proposed. This obnoxious law being out of the way, the ratio of silver to gold might be safely fixed at any point between zero and infinity, for the demand for both metals having ceased, it would be a matter of indifference at what point of the scale the ratio should be placed. Hence it will readily be seen by its advocates that if the question of free coinage should be brought up in the approaching State convention the overshadowing question of a repeal of the obnoxious Democratic law of supply and

demand must also be urged. And if the national Democracy can not be induced to join us in denouncing this law, we can, at least, secede from the national party and become an appendage to my Republican acquaintance who is so sound on this question, and who, I believe, will gladly accept our assistance in repealing the law in order 'to make prices go up.'

"But as long as this natural law remains in force all attempts to make 50 cents equal to 100 cents, a half equal to a whole, or two things of unequal value equal to each other, will signally fail. The impossibility of accomplishing this has been demonstrated over and over again during the past five hundred years. During the same period arbitrary monarchs and parliaments have alike tried to make two metals at fixed ratios circulate, side by side, in unlimited quantities on an equality, but every such attempt has proved a failure. The 'intrinsic value,' that which it will fetch when sold in the market, governs the price of the article. The law of Gresham, previously demonstrated by Oresme and Copernicus—that 'where two sorts of coin are current in the same nation of like value by denominations, but not intrinsically, that which has the least value will be current, and the other as much as possible will be hoarded,' proved stronger than human laws, the money of inferior value driving the superior out of circulation and reducing the currency to a monometallism. This has been done again and again in the European countries, and nearly all middle aged men are witnesses to the operations of this law in our country. At first the less valuable silver drove gold from circulation, reducing us practically to a silver monometallism. The discovery of gold in California reduced the value of that metal in regard to silver, drove the legal tender silver dollar from circulation and placed the country on a monometallism of gold. The silver dollar was melted down, exported and sold as bullion at a price in excess of its real value, although the government stamp on the gold dollar declared it the equal of the silver dollar. Later, greenbacks were issued as full legal tender

money. Both gold and silver immediately disappeared even to half-dimes and three-cent pieces, and we were reduced to a currency exclusively of paper, so that it required nearly three paper dollars to buy a dollar of silver or gold. The singular fact is thus presented of the same government placing its stamps on three different kinds of dollars, giving to them all equal legal tender effect and declaring them to be of the same efficiency, but not only were they of different values, but each different in value from both of the others. But at the same time there was circulating at its face value the \$50 octagon gold piece of California, with nothing on it but a private stamp and having the potentiality to buy one hundred and forty paper dollars, each stamped by the United States government as worth a full legal tender dollar. Large amounts of private gold coins had previously been issued and extensively circulated in this country without the government stamp, as by Read, in Georgia, and the Reichlers, of North Carolina. The very coin which gave name to our dollar was issued from a private mint, with a private stamp and circulated freely throughout Europe. And, as has been shown, gold and silver circulated freely as money, without any stamp at all, for hundreds of years before governments took official cognizance of their existence.

"And yet it is now proclaimed throughout the land that gold and silver have no intrinsic value, or, if they have, that value is lost the instant the hand of the mint master touches them, that they then become a mass of matter devoid of any value, but that by some process of magic unexplained they undergo such a change that on coming from the mint each coin receives and is worth any amount which the stamp may place upon it. On this fallacy rests the argument of Senator Jones and other Populists. If their theory is true, then two pieces of the same metal of equal weight and fineness and of the same size and form may be stamped—the one that it is a dollar, the other that it is a thousand dollars, and the one must purchase a thousand dollars'

worth of produce, while the other will purchase only the value of a dollar. If this can not be done, then the stamp confers no value and the coins are worth only the value of the metal which they contain.

"If the British and American governments were to perish to-day, the British sovereign and American eagle would have to-morrow the same purchasing power as to-day, because the coins contain the full bullion value of the metal. But the silver coins would sell only for their bullion value, which would be but fifty per cent. of the gold dollar, while the three hundred and forty millions in greenbacks would not purchase a paper of pins in any retail store in the country. But the government stamp is impressed equally upon all these. What, then, becomes of its magical powers to confer values regardless of intrinsic worth?

"In fact, the government does not respect its own stamp, for the very coin that is issued from its mint is received when paid back into the treasury, not by tale, but by weight like any other commodity—the loss by abrasion falling upon the owner of the coin.

"This fallacy of the Populists, like most of their other theories, is not new. It has been often refuted, and perhaps by none more effectively than by Locke, more than two hundred years ago. It was proposed, in considering the question of the new coinage, to give to silver coin a nominal value greater than its real value, just as is proposed by the advocates of free coinage to-day. To this proposition Locke replied:

"The increase of denomination does or can do nothing the case, for it is silver by its quantity and not denomination that is the price of things and the measure of commerce; and it is the weight of silver in it, and not the name of the pieces, that men estimate commodities by and exchange them for.

"If this be not so, where the necessity of our affairs abroad, or ill-husbandry at home, has carried away half our treasure, and a moiety of our money has gone out of England, it is but to issue a proclamation that a penny shall go for two pence, six pence for a shilling,



half a crown for a crown, etc., and immediately, without any more ado, we are as rich as before. And when half the remainder is gone, it is but the doing the same thing again and raising the denomination anew, and we are where we were, and so on; whereby, supposing the denomination raised 15-16, every man will be as rich with an ounce of silver in his purse as he was before when he had sixteen ounces there, and in as great plenty of money, able to carry on his trade without bartering; his silver by this short way of raising being changed into the value of gold. . . . This, I guess everybody sees, can not be so, and yet this must be so if it be true that raising the denomination one-fifth can supply the want or one jot raise the value of silver in respect to other commodities. . . . For if raising the denomination can thus raise the value of coin in exchange for other commodities one-fifth, by the same reason it can raise it two-fifths, and afterward three-fifths, and as much further as you please. So that by this admirable contrivance of raising our coin we shall be rich and as well able to support the charge of the government and carry on our trade without bartering, or any other inconvenience for want of money, with 60,000 ounces of coined silver in England, as if we had six or sixty millions.

"I think it has thus been shown conclusively that the stamp of the government can not give to a coin value beyond that of the metal. Under the proposed unlimited free coinage the government would therefore do what no government has a right to do—debase its own coinage and compel its citizens to receive as a dollar which in fact is only worth half a dollar. This would be equivalent to authorizing the miner to clip the coinage 50 per cent, an offense for a long time punishable by death; but in the case of our government rewarded by a large bounty to the miner. The result would be an attempt to circulate a debased coin by the side of a superior coin, which, as all experience has shown, would drive every dollar of gold out of circulation and reduce us to a monometallism of silver. The

effect of this is forcibly described by President Andrews, of Brown University, a warm friend of silver. He is opposed to the separate action of our government on the free coinage question, and says:

"If we take up the metal alone, and that course results, as I should anticipate, in the expulsion of gold, we shall have in the first place a financial crisis worse than any ever suffered in the country. This, because we can not in a long time, even by working our mints day and night, coin silver enough to take the place which would be vacated by gold. Prices would surely fall. Laborers would be thrown out of work Altogether, a dreadful paroxysm in our business would be precipitated.

"This unlimited free coinage of silver, as President Andrews foresees, would precipitate a monometallism of silver in a few weeks. It is what owners of silver want, for they desire only a market for their silver at the cost of all the people. Thus all experience demonstrates that coinage of silver and gold, in unlimited quantities, such as free coinage would bring, has never been known to bring bimetalism, for the coin of inferior value invariably expels that of greater value. The only mode which has yet been devised to secure the circulation of both metals is by the adoption of one or the other of the metals as the standard of value. For, as Locke truly says, after showing that these metals were constantly changing their relative values: Two metals, as gold and silver, can not be the measure of commerce both together in one country; because the measure of commerce must be perpetually the same, invariable and keeping the same proportion of value in all its parts. But so only one metal does or can do to itself; so silver is to silver, and gold to gold. An ounce of silver is always of equal value to an ounce of silver and an ounce of gold to an ounce of gold. . . . But gold and silver change their value to one another; for suppose them to be in value as 16 to 1 now; perhaps the next month they may be as 15¾ or 15½ to 1. And one may as well make a measure, *i. e.*, a yard,

whose parts lengthen and shrink, as a measure of trade of materials that have always a settled, invariable value to one another. (One metal, therefore, alone can be the money of account and contract, and the measure of commerce in any country.)

"Locke advocated silver as the standard because, at that time, as he says, 'silver coin alone makes the money of account and measure all through the world. For all contracts are, I think, everywhere made, and accounts kept, in silver coin.' He insists, that the other metal shall also be coined, and each may safely have a price as well as a stamp set upon it by public authority, so the value be set under the market price. For then such pieces coined will be a commodity as payable as silver money, very little varying in their price."

"The principles thus clearly enunciated have been adopted by all the great commercial nations of the world. But as gold has been for a hundred years the money of exchange between nations, that metal, adopting the reasoning of Locke, has been made the standard and silver the subsidiary coin. The result has been to secure, in every nation which has adopted this standard, a practical bimetalism impossible under any double standard without the monthly, or perhaps weekly, recoinage of all the money of one of the metals, in order to restore the lost parity. This, as every one can see, would be impracticable."

"The effect in this country will be seen from the following data:

"In 1873, under the double standard and unlimited free coinage, there were in the United States, according to the director of the mint, \$135,000,000 in gold coin, and \$5,000,000 in subsidiary silver coin; not a dollar of which was in circulation. This is the halcyon period of silver to which the free coinage advocates of to-day so often refer, and over the disappearance of which they raise lamentations, compared with which the mournful numbers of Jeremiah are but as glee songs. To-day there are in the country, under the

single gold standard, \$101,000,000 of gold and \$224,000,000 in silver, all of which is in circulation, either directly or by certificates representing it. In every other country where gold has been adopted as the standard, every ounce of silver is kept in circulation, the parity being maintained by the policy of the governments. But wherever the double standard prevails the country is sunk to a silver monometallism. Gold has been expelled by the operation of the Gresham law, and has risen to such a premium that the exchange on other countries is so high as to have crippled and almost destroyed foreign commerce. It is to this unhappy condition that the silver miners, who are flooding the country with their literature, would reduce us, in order that they may receive their annual bounty from the people. All the facts of history show that the single standard of value in either metal is practical bimetalism, the double standard inevitable monometallism."

"What effect do you think the expression of your views on the money question will have on your candidacy for the Senate?"

"That question occasions me no concern. I have always been entirely frank with the people of Kentucky and will continue to be so. My love for them has grown from my childhood days. They have heretofore honored me with their confidence and given me many evidences of their regard. It would be an ill return for such generosity for me to attempt now to win their support by concealing from them my sincere convictions on public questions in which they are interested. I prefer," concluded the General, "to live in their respect rather than win, with the loss of it, the highest office in the land."



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